

Message Text

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12

ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11

L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 AGR-20 FEA-02

INT-08 DRC-01 /202 W

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R 202059Z SEP 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC

INFO AMCONSUL BELEM POUCH

AMCONSUL PORTO ALEGRE POUCH

AMCONSUL RECIFE POUCH

AMCONSUL SALVADOR POUCH

AMCONSUL RIO DE JANEIRO POUCH

AMCONSUL SAO PAULO POUCH

AMCONSUL HONG KONG POUCH

USLO PEKING POUCH

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E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJ: PRC MISSION TO BRAZIL - TRADE ASPECTS

REF: BRASILIA 6656

1. SUMMARY: DURING AUGUST AN OFFICIAL PEOPLES' REPUBLIC OF CHINA (PRC), DELEGATION, LED BY VICE MINISTER OF COMMERCE CHENG CHIEN, VISITED BRAZIL FOR A SERIES OF TRADE DISCUSSIONS WITH GOB OFFICIALS AND A FIRSTHAND EXPOSURE TO THE BRAZILIAN ECONOMIC "MIRACLE." THE HIGH POINT OF THE VISIT WAS THE ESTABLISHMENT OF PRC/GOB DIPLOMATIC RELATIONS (BRASILIA 6195). ON THE COMMERICAL
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SIDE, WHILE NO CONCRETE RESULTS WERE REACHED, MECHANISMS

FOR INCREASED TRADE WERE ESTABLISHED AND PRODUCTS OF INTEREST WERE SPECIFIED - SUGAR AND COTTON ON BRAZIL'S SIDE, AND NON-FERROUS METALS, AND POSSIBLY PETROLEUM, ON THE CHINESE SIDE. WHILE THE PRC DELEGATION, AS WELL AS THE GOB, INDICATED THAT POSSIBILITIES FOR TRADE EXPANSION WERE "PROMISING," SOME JOURNALISTS AND BUSINESSMEN DID NOT VIEW THE VISIT AS PROMISING VAST POTENTIAL ECONOMIC RETURNS FOR BRAZIL, EVEN IN THE MEDIUM OR LONG TERM. END SUMMARY:

2. PRESENT PRC/BRAZIL TRADE SITUATION: BRAZIL'S TRADE WITH THE PRC HAS BEEN QUITE LIMITED. EXPORTS TO CHINA AMOUNTED TO U.S.\$70 MILLION IN 1972 AND U.S.\$65.1 MILLION IN 1973. BULK OF EXPORTS CONSISTED OF SUGAR AND RAW COTTON. BRAZILIAN IMPORTS FROM THE PRC HAVE BEEN NEGLIGIBLE, AND IN 1973 (THE ONLY YEAR RECORDED IN GOB TRADE FIGURES) AMOUNTED TO U.S. \$439 THOUSAND, COMPOSED MOSTLY OF COTTON FABRICS.

3. RESULTS OF PRC DELEGATIONS' VISIT TO BRAZIL: PRC TRADE DELEGATION VISITED VIRTUALLY EVERY MAJOR INDUSTRIAL AREA OF BRAZIL, AND RECEIVED HEAVY PRESS COVERAGE. THE CHINESE MISSION HAD A SERIES OF MEETINGS WITH HIGH LEVEL GOB OFFICIALS, INCLUDING THE PRESIDENT, AND FOREIGN MINISTER, AS WELL AS ALL MINISTERS IN THE ECONOMIC AREA. CONCERNING THE MECHANISMS FOR TRADE, THE TWO SIDES AGREED TO INITIATE OPERATIONAL CONTACTS BETWEEN THE BANK OF BRAZIL AND THE BANK OF CHINA, TO NEGOTIATE A GOVERNMENTAL LEVEL TRADE AND TRANSPORTATION AGREEMENT, AND TO EXAMINE THE POSSIBILITY OF CREATING A GOVERNMENT LEVEL "JOINT TRADE COMMISSION" WHICH WOULD HOLD PERIODIC TRADE DISCUSSIONS IN PEKING AND BRASILIA AND ALSO PROMOTE COMMERCIAL FAIRS IN BOTH COUNTRIES. ON SPECIFIC TRADE DEALS, PRESS REPORTS INDICATED THAT THE TWO COUNTRIES WILL SEEK TO EXPAND TRADE OVER AN UNSPECIFIED PERIOD, TO AN ANNUAL LEVEL OF U.S. \$400 MILLION. THE BRAZILIAN FOREIGN MINISTRY RELEASED A BRIEF "FINAL MINUTES" OF THE DISCUSSIONS THAT IDENTIFIED LIKELY PRODUCTS FOR EXPANDED TRADE. THE DOCUMENT INDICATED THAT THE PRC WANTS TO IMPORT SOYBEANS, SUGAR, SISAL, COTTON, IRON ORE, AND LIMITED OFFICIAL USE

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CELLULOSE. THE BRAZILIANS WOULD LIKE TO IMPORT FROM THE PRC NON-FERROUS METALS, BARBED WIRE, HANDICRAFTS, COAL, AND PETROLEUM. POSSIBLE PRC PETROLEUM EXPORTS TO BRAZIL CAUSED WIDE-SPREAD BRAZILIAN PRESS COVERAGE. THE HEAD OF THE PRC DELEGATION, HOWEVER, DOWN-PLAYED THE LIKELIHOOD OF OIL SALES TO BRAZIL, INDICATING, DURING A PRESS CONFERENCE, THAT CHINA'S PETROLEUM PRODUCTION WAS STILL QUITE SMALL AND THE DISTANCES BETWEEN THE TWO COUNTRIES WOULD CAUSE SUCH TRADE

TO BE UNECONOMICAL. MORE CONCRETELY, THE TWO SIDES AGREED TO ENTER INTO THREE TO FIVE YEARS CONTRACTS UNDER WHICH BRAZIL WOULD SUPPLY, ANNUALLY, 200,000 TONS OF SUGAR TO CHINA. THE DETAILS OF THESE CONTRACTS WILL BE WORKED OUT DURING FUTURE MEETINGS, THE NEXT EXPECTED TO TAKE PLACE IN CHINA DURING SEPTEMBER OR OCTOBER.

4. CONGEN SAO PAULO REPORTED THAT JOURNALISTS AND BUSINESSMEN IN THAT CITY DID NOT VIEW THE CHINESE VISIT AS A SIGNIFICANT NEW DEVELOPMENT, EVEN IN THE MEDIUM AND LONG-TERM. SAO PAULO OBSERVERS EXPRESSED GUARDED OPTIMISM FOR SOME TRADE EXPANSION WITH CHINA, MENTIONING THE SAME ITEMS REPORTED ABOVE. CONSULATE SALVADOR REPORTED SIMILAR IMPRESSIONS, WHILE FOCUSING ON THE PLAYING DOWN BY VICE MINISTER CHENG CHIEN OF THE POSSIBILITIES FOR PRC PETROLEUM EXPORTS TO BRAZIL. SALVADOR CONFIRMED PRESS REPORTS, PARA 3 ABOVE, THAT CHENG CHIEN PUBLICLY INDICATED THAT A LARGE GROWTH OF PETROLEUM TRADE WOULD NOT BE FORTHCOMING.

5. COMMENT: BESIDE THE ESTABLISHMENT OF DIPLOMATIC RELATIONS, WHICH WAS THE MAJOR DEVELOPMENT, THE ECONOMIC ASPECTS OF THE PRC VISIT CONSISTED MAINLY OF EXPRESSIONS OF GOODWILL AND INTENTIONS TO DEVELOP SIGNIFICANT COMMERCIAL TIES. THOUGH IN THE MEDIUM AND LONG-RUN THERE ARE POSSIBILITIES FOR TRADE EXPANSION IN SOME OF THE PRODUCTS MENTIONED ABOVE, THE POTENTIAL FOR LARGE SCALE TRADE DEVELOPMENT BETWEEN BRAZIL AND THE PRC DOES NOT CURRENTLY EXIST. THERE APPEARS TO BE INTEREST ON BOTH SIDES FOR CERTAIN AGRICULTURAL AND MINERAL COMMODITIES, BUT THERE SEEMS TO BE LITTLE COMPLEMENTARITY IN TRADE OF MANUFACTURED GOODS SINCE BOTH COUNTRIES REQUIRE IMPORTS OF TECHNOLOGICALLY ADVANCED CAPITAL EQUIPMENT AND DO NOT LIMITED OFFICIAL USE

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IMPORT LARGE AMOUNTS OF CONSUMER GOODS. ALTHOUGH SOME NEWSPAPERS AND BUSINESSMEN HERALDED THE VAST POTENTIAL OF THE CHINA MARKET, THERE DOES NOT APPEAR TO BE A GREAT EXPECTATION WITHIN THE BUSINESS COMMUNITY FOR A RAPID AND EXTENSIVE GROWTH OF TRADE BETWEEN THE TWO COUNTRIES IN THE NEAR FUTURE.
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